CaseWare Working Papers

Auditing of financial statements in the Belgian Court of Audit

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BCA: organization and main tasks

- audit remit based on:
  - the Belgian Constitution (1831, 1993)
  - Court of Audit's organic law (1846 - 2003)
  - mission statement, strategic plan (2004, 2009)
- external audit of expenditure and revenue of federal State, communities and regions, their public service agencies, and provinces, except for the local authorities
- budget analysis, financial audit (jurisdictional competence), legality and regularity audit, performance audit
- assistance to legislative assemblies and provincial councils

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Organization and main tasks

- collegiate body
  - general assembly (12 members)
  - Dutch speaking chamber + French speaking chamber (each 6 members)
  - members elected by federal House of Representatives
- operational sector (2004)
  - federal sector (2 + 2 directorates) and communities and regions sectors (2 + 2 directorates)
  - financial audit (FA) and thematic audit (TA) directorates
- support sector
  - coordination and studies directorate
  - general administration directorate
- 560 employees evenly distributed between French and Dutch speaking members of staff

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Financial audit (FA)

- Court's collegiate body
  - The Court's general assembly has responsibility for matters relating to the Federal State, the Brussels-Capital Region, the Brussels Common Community Commission and the German-speaking Community
  - The French-speaking chamber has exclusive responsibility for matters involving the French Community, the Brussels French Community Commission, the Walloon Region, the provinces in this Region and the subsidiary institutions
  - The Dutch-speaking chamber has exclusive responsibility for matters concerning the Flemish Community, the Flemish Region, the provinces in this Region and the subsidiary institutions
- 3 sectors - 4 directorates → each sector semi independent
  - Federal sector: D3 (Dutch-speaking) and D5 (French-speaking)
  - French-speaking sector: D7
  - Flemish sector (Dutch-speaking): D9
  - FA approach adapted to the specific needs of each sector
  - but federal sector (D3 and D5): need for standardization of audit methodology → impacting other sectors

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FA of accounts

- no unique set of rules for financial reporting
  - 2003 accounting law created a unique public accounting environment for central administrations and public bodies depending on them
  - = integrated system for general and budgetary accounting following European economic reporting rules
  - but: not yet applicable to all public entities (→ 2014)
  - even then there will remain differences between federal level, communities and regions
  - social security institutions, provinces, public enterprises will keep their own accounting rules

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FA in the federal sector

- annual financial reporting
  - accounts of 100 public bodies submitted to annual control
  - accuracy, reliability and completeness of the entries, conformity of the recorded transactions with the accounting legislation but not certification
  - ad hoc audit of financial systems and processes
  - observations/comments submitted to entities, ministers and Parliament
- recent modifications
  - 2012: enlargement audit universe (100 $\rightarrow$ > 120 entities)
  - 2014: new accounting system and strict deadlines for FA
  - pending: certification on a consolidated or individual level?

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FA approach

- monitoring and risk analysis (M&R)
  - results per entity aggregated at federal level in an yearly roll-forwarded multiannual audit plan
  - optimize resource allocation and detect main gaps between risks and resources
  - criteria of single audit and materiality thresholds to be applied on consolidated level in preparation of certification
  - audit programs (full audit, audit of financial processes or basic audits) to be realized in function of the results of M&R
- IT support
  - databases to identify and disclose audit universe and risks
  - planning and drawing up the audit plan in an multiannual approach
  - CaseWare Working Papers (CW WP) for supporting individual audit work and feeding databases

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eWP for FA versus AMS

- 2008 : FA formulated clear need for support by professional IT tool for eWP
  - risk analysis and planning, documenting audits, lead sheets, yearly roll-forward, review, reporting, …)
  - replace in-house built applications
- exploratory market study
  - eWP for FA (e.g. CaseWare Working Papers) versus eWP as part of an integrated audit management system (e.g. TeamMate)
  - live demo's for select public of key staff
  - interest of FA and TA in both approaches
- 2009: in-depth inquiry into pros and cons

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Results of 2009 inquiry

- AMS (TeamMate)
  - software used by internal and external audit (FA and TA) for planning, realizations and follow-up of audits but definitely not a tool for FA as such
  - used by other SAIs (Cour des comptes, National Audit Office, Algemene Rekenkamer, …)
  - modularly built: TeamRisk, TeamSchedule, TM Time and Expense Capture, TM EWP, TeamStore, TeamCentral
  - implementation of the whole suite will have a huge impact on the organization → rather a long term consideration than feasible on the short term?
  - in every case to be resolved: overlap/integration with existing in-house built applications (eDPD, eDOS, ePlanning, MoRiSe, …) and bought tools

Results of 2009 inquiry

- AMS (TeamMate)
  - requirements for standardization and control over internal audit procedures not yet fulfilled
  - doubts that directorates will effectively work with the tool → risk of "IT-overdose" and resistance
  - "monitoring and risk analysis needs a qualitative approach" versus "overlap with own alternative (MoRiSe used by Flemish sector)"
  - "no need for a planning tool" versus "ePlanning (eDOS) will fulfill all needs"
  - TM EWP doesn't fit with all needs
    - FA: priority to a specific eWP for FA tool with more functionalities
    - TA: TM EWP = more appropriate for recurrent audits + audit file structure can easily be built with Windows Explorer

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Results of 2009 inquiry

- AMS (TeamMate)
  - TM EWP = audit management system <> document management system
  - management information can be provided by other means (eAccounts, eDOS, ePlanning, …)
  - experiences in other SAIs
    - only TM EWP, not the whole suite
    - only FA, not TA
    - no integration with other applications
    - top down decision
  - but:
    - BCA strategic plan 2010-2014 → implementation of an electronic management information system
    - EUROSAI IT-projects can reopen the debate

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Results of 2009 inquiry

- eWP for FA (CaseWare Working Papers)
  - software for external financial auditors
  - international market but tailorable to "local" needs (such as budgetary accounting)
  - templates available for Belgian GAAP's in Dutch and French integratable with public accounting environment and BCA audit methodology
  - yearly upgrades and updates
  - CW connector Add-in → integration into Excel and Word
  - import and export of financial and other data (accounting software, XBRL, PDF, Excel and word, IDEA, …)
  - low impact on existing organization and procedures
  - not developed as an AMS but alternatives to generate management information
- eWP for FA and AMS not mutually exclusive

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In-depth inquiry CW WP

- test phase during 2nd and 3th quarter of 2009
  - supported by consultant → transfer of knowledge (familiar with Belgian market)
  - evaluation of in-house capacity of development of templates and scripts → minimalizing dependence on consultant
  - SWOT analysis based on in-house development of template
  - adaptation template "FA private enterprises" to public FA environment → appropriate mapping and grouping of data
  - integration of audit methodology (risk analyses, audit programs, …) → leverage for standardization and streamlining and managing the audit process (sectors/BCA)
  - scope of implementation: public bodies, public enterprises, central administration, …?
  - integration with other applications (excel, word, PDF, accounting software, …), import and export of data (XBRL)
  - cost/benefit analysis as far as possible

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In-depth inquiry CW WP

- experiences during test phase
  - strong points
    - CW WP = empty box → tailorable to BCA needs (mapping, grouping, consolidation, custom balances, document manager, automatic documents, CaseView (CV) documents, document properties, …)
    - administration of templates on operational level → no dependence on external consultant or internal IT Department
    - import of figures via wizard (custom balances → unlimited import of different budgetary accounts)
    - 1 mapping = general accounting versus 10 groupings = leadsheets and budgetary accounting maps
    - script available for switch between French and Dutch representation of an audit file

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In-depth inquiry CW WP

- experiences during test phase
  - strong points
    - building templates: profound understanding of the tool but no special IT training requirements (except for automation specific procedures by scripting)
    - use based on templates → elementary introduction but no special training and support by internal help desk
    - integration of CW data in Excel or Word via Add-in (CaseWare connector)
    - standardization of audit file → automatic documents (lead sheets) and CV documents available (no intervention of auditors)
    - documentation of audit proceedings
      - easy import of documents (Word, Excel, PDF, …)
      - linking documents
      - annotating, cross references, commentary fields, tick marks, issues

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In-depth inquiry CW WP

- experiences during test phase
  - strong points
    - milestones → archiving elder versions of documents
    - sign in/sign out or check in/check out if working off line
    - setup roles: audit, review, …
    - facilitate review of audit files: fixed file structure, audit program → audit memoranda, audit trail, cross references and links between documents, issues to facilitate and document communication between auditor and supervisor, …
    - roll-forward audit file: financial data, permanent file, …
    - facilitate audit file transfer between auditors and internal peer review
    - export CW file as PDF or HTML → available for other parties without license

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In depth inquiry CW WP

- experiences during test phase
  - points of attention
    - import via wizard of financial data (txt, Excel, …) by preference delivered by the auditee in a fix format
    - procedures for using annotations, issues, tick marks, commentary fields, …
    - need for BCA transversal working group for "strategic" decisions, align templates with accounting environment and audit methodology and to share experiences
    - central administration of templates, libraries, system databases, … → differentiation of templates possible but not advisable
    - support of IT Department for specific scripting (such as automation of groupings = mapping budgetary accounts to a specific budgetary group in CW)

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In-depth inquiry CW WP

- experiences during test phase
  - points of attention
    - risk of resistance → raising awareness among auditors and supporting them (help desk, wiki site, …)
    - auditors → willingness to work within fix structure
    - paper version versus electronic WP (how far to go in scanning documents)
    - how to handle "small" entities
    - make document structure more flexible to the size of each audit
    - CW WP is just a tool, no guarantee that the audit is executed in a professional way
    - template is not ISA (or INTOSAI) based
    - files on server → automatic backup on server

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In-depth inquiry CW WP

- experiences during test phase
  - weak points
    - CW WP is English tool → menus, wizards, help function not available in other languages
    - automatic CW documents do not fulfill all our needs
    - CV documents require a profound understanding of the tool and its functionalities
    - other documents to be created in house → CW connector = indispensable
    - poor word processing in commentary fields in automatic documents
    - no intuitive use → minimal understanding of how the tool works
    - grouping of budgetary accounts not automated (→ to be resolved by in-house scripting)
    - Foxpro databases → not supported by Office 2007

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In-depth inquiry CW WP

- experiences during test phase
  - similar software
    - Engagement CS (Thomson Tax & Accounting)
    - Accounting for Practioners (Pendock Mallorn)
    - ProSystem fx Engagement (CCH Wolters Kluwer)
    - Datev
  - but in 2009
    - not commercialized and supported on Belgian market
    - doubts about tailorability for BCA public accounting and FA environment (especially budgetary accounting)
    - ISA-compliant audit tool interferes with need for flexibility
    - questions about support in Dutch/French
    - cost price

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Decisions BCA

- December 2009
  - 41 CW licenses + 5 CW connector licenses
  - CW working group
    - development of template
    - training CW users
    - support desk for CW users
    - redaction of manual in Dutch and French → wiki site
    - periodic evaluations
  - financial data to be delivered by auditees in fix format
- 2010 and 2011
  - December 2010 → + 13 CW licenses after positive evaluation
  - May 2011 → + 17 CW licenses (enlargement scope to federal central administration)
  - December 2011 → + 17 CW licenses (+ 3 CW ISA templates due to enlargement scope to public enterprises)
  - CW connector → + 10 licenses

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Lessons learned (2010 – 2012)

- decision for acquisition taken bottom-up
  - BCA considers 2010 – 2012 as transition period to get familiar with the tool
    - some directorates → obligation to work with CW
    - others → work with "champions" but no obligation
- FA directorates have to encourage auditors to work with CW
  - where CW = obligation
    - auditors become unconditional supporters → dynamic process of improving template
    - clear improvement of realization and review FA
  - when CW <> obligation
    - use of tool not encouraged by hierarchy → most auditors not familiar with all features and functionalities → unknown, unloved
    - but: awareness is growing

Lessons learned (2010 – 2012)

- CaseView contains enormous possibilities for interrogating and presenting CW and other data
  - requires profound understanding of its functionalities and features
- management of version of templates and documents
  - CW 2010 → major improvement
  - earlier created CW files had to be transferred to newer versions of the templates
  - alternative by creating CV documents fed by external databases
- CW connector 2010 improves interrogation of CW databases and facilitate use of Excel functionalities

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Lessons learned (2010 – 2012)

- active members CW working group → federal sector
  - knowledge centralized at federal level → motor of in-depth exploration and development of alternative templates to encounter specific needs
  - CW 2010 → major improvement by built-in language options; multiple language support to get documents, mappings, groupings, … in Dutch or French by simple language switch
  - integration of bilingual audit programs in template via automatic and CV documents to improve file transfer between federal directorates
  - development of documents (Excel/Word) for reporting (integration of CW data via connector)

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Lessons learned (2010 – 2012)

- active members CW working group → federal sector
  - exploration of CaseView functionalities
    - creation of system databases outside (but fed by) individual CW files → accumulate meta knowledge about public bodies (main figures, results of M&R, …) → interrogation of Foxpro databases via ODBC → integration with other databases and FA planning tool
    - integration of existing data outside CW in individual CW files (identification of public bodies, addressees, identification of auditors, …) via CVEXCEL function in CaseView
- challenge of certification
  - what can we learn from ISA audit template?

Live demonstration

- creation of new files based on different templates, management of versions of templates and documents, languages
- wizard for the import of financial data from both general and budgetary accounts (format: Excel, txt, accountings software, XBRL, …)
- mapping and different groupings of general and budgetary accounts, assigning mappings and groupings to imported financial data, adjusting entries in accounts
- analytical accounts and consolidation
- custom balances for in detail examination of budgetary data
- scripting for budgetary groupings
- lead sheets and other automatic CW documents
- CaseView documents and interrogation of CW-databases
- alternative interrogation of CW-databases by CW-connector Add-Inn in Word and Excel
- document manager and language choice, document libraries for additional documents
- preparing and executing the audit: audit programs, audit process, audit trial
- issues, annotations, tick marks, commentary fields, tags
- preparing the reporting: audit findings and recommendations
- reviewing the audit, milestones and versions of documents
- year-end close and preparing the audit of next year
- working online, off line (check in, check out; sign in, sign out)
- sharing the audit content with persons without CW-license: web page, PDF-file, …

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Questions?

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